

frequently.

- (c) At least every four years, a more detailed analysis of current costs and operational information will be performed for a representative sample of non-state operated providers determined by an independent consultant. This data plus the fiscal accountability reports will be analyzed by TDMHMR and reviewed by a panel of experts and the public. Recommendations will be made to the TDMHMR Board regarding any needed changes to rate factors in the model based on this sample information.

10. **Annual adjustments.** Annual rates for the time period between the years that modeled rates are rebased are set (at January 1) by inflating the previous year's direct cost rates, and other costs inflated as a percentage of direct costs, by the IPD-PCE as defined in Section VI of Attachment 4.19-D (ICF/MR). These rates are uniform by class of facility and client level of need category, determined prospectively, and adjusted annually. There is no cost settlement.

11. **Rebasing the Non-State Operated Modeled Rates.** At least every three years, TDMHMR will rebase the non-state operated modeled rates using the following process:

- (a) TDMHMR will seek to obtain an independent consultant to conduct detailed analysis of cost and operational information for a representative sample of ICF/MR providers throughout the state in accordance with Texas Government Code, Chapter 2254, which provides a state agency with the authority to contract with a private consultant. This representative sample will be determined by the independent consultant. Comprehensive cost reports will be completed by all providers in the representative sample. All other providers will complete the direct services cost reports which will be used to ensure costs are covered that must be incurred by an economic and efficient ICF/MR provider.
- (b) Site visits will be made to each of the sample providers to collect cost data and discuss operations.
- (c) An advisory panel consisting of ICF/MR

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providers, advocates, and department personnel will analyze available information regarding historical costs arrayed according to the cost components in V. B. 8. of Attachment 4.19-D (ICF/MR), operational data and level of need assessment both from sampled survey and annual fiscal accountability cost reports. TDMHMR will use the analysis to make recommendations to the Texas Mental Health and Mental Retardation Board for adjusting the assumptions used in the models or rebasing the rates.

- (d) TDMHMR will recommend adjustments to rate factors, if required, based on the results of the analysis of the sample of cost and operational information. These adjustments and rate revisions will be completed according to the State Plan.
- (e) Revised rates, as well as the rationale supporting the rates, will be presented to the Texas Mental Health and Mental Retardation Board for final approval and implementation. The implementation of revised rates will be completed according to the State Plan.

- C. **Experimental class.** TDMHMR may define experimental classes of service to be used in research and demonstration projects on new reimbursement methods. Demonstration or pilot projects based on experimental classes may be implemented on a statewide basis or may be limited to a specific region of the state or to a selected group of providers. Reimbursement for an experimental class is not implemented, however, unless the TDMHMR Board and the Health Care Financing Administration (HCFA) approve the experimental methodology.

VI. General cost inflation index.

A. **Inflation indices.**

For all ICF/MR programs, TDMHMR uses the Implicit Price Deflator-Personal Consumption Expenditures (IPD-PCE) as its general cost inflation index. The IPD-PCE is a nationally recognized measure of inflation published by the Bureau of Economic Analysis of the U.S. Department of Commerce. To project or inflate costs from the reporting period to the prospective rate period, TDMHMR uses the lowest feasible IPD-PCE forecast consistent with the

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DATE APP'D	12-14-98
DATE OF	1-1-97
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forecasts of nationally recognized sources available to TDMHMR at the time rates are prepared for public dissemination and comment. Annual increases in fixed capital asset costs to be included in the rate base will be limited consistent with current Medicaid regulations, the Deficit Reduction Act of 1984 and the Consolidated Omnibus Budget Reconciliation Act of 1985.

B. **Specific inflation indices.** The specific indices that the department uses include the following:

1. Wage and benefit inflation rates for state-operated ICF/MR employees are determined by the Texas Legislature and Department merit policy.
2. The medical care CPI-U is used as the inflation index for the state school ICFs/MR comprehensive medical cost center. To project costs from the reporting period to the prospective rate period, TDMHMR uses the lower of the two medical care CPI-U forecasts reported by Data Resources Incorporated and Wharton Econometric Forecasting Associates.
3. The IPD-PCE is used to inflate other expenses.

VII. **Payment for dental services available to consumers of ICFs/MR.**

Payments for dental services as described in Item 15b of Appendix 1 to Attachment 3.1-A and Item 15b of Appendix 1 to Attachment 3.1-B for persons 21 years of age and older who reside in an ICF/MR will be based on Texas Health Steps (formerly EPSDT) policies, procedures, limitations and rates, will be obtained through the consumer's Medicaid card.

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